

STATE OF NEW JERSEY

Board of Public Utilities

Two Gateway Center

Newark, NJ 07102

www.bpu.state.nj.us

ENERGY

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| IN THE MATTER OF THE NEW JERSEY |) | ORDER |
| CLEAN ENERGY PROGRAM - CUSTOMER |) | |
| SITED PROGRAM |) | DOCKET NO. EO02120955 |

(SERVICE LIST ATTACHED)

BY THE BOARD:

The Customer-Sited Clean Energy Generation Program ("Customer-Sited Program"), administered currently by the utilities, has been in effect since April 9, 2001. Experience gained through the implementation of the program showed the need for several modifications to improve the program's effectiveness. By Order dated August 16, 2002, the Board approved certain modifications, including increased incentives for solar energy projects.

As of December 31, 2002, the increased incentives for solar energy projects approved by Board Order dated August 16, 2002, in Docket Nos. EX99050347, et al., ended. Without Board intervention at this time, solar energy projects greater than 10 kW will receive incentive funding up to a maximum of 40% of the installed cost.

Atlantic City Electric Company d/b/a Conectiv Power Delivery ("Conectiv"), Jersey Central Power & Light Company d/b/a GPU Energy ("GPU"), New Jersey Natural Gas Company ("NJNG"), NUI Elizabethtown Gas Company ("NUI"), Public Service Electric and Gas Company ("PSE&G"), Rockland Electric Company ("RECO"), and South Jersey Gas Company ("SJG") (collectively referred to as the "Utilities") jointly filed a Compliance Filing on November 1, 2002. This was a collaborative effort by the Utilities and the Natural Resources Defense Council and contained proposed program modifications and budgets for 2003.

In the November 1, 2002 Compliance Filing ("2003 Compliance Filing"), there were several proposed changes to the photovoltaic incentives in the Customer-Sited Program, as follows: an increase in the percent cap from 40% to 50%; a new incentive rate on a per watt basis; and an increase in the incentive level for solar systems smaller than 10 kW. Most of the modifications proposed in the 2003 Compliance Filing had been discussed during previous discussions between the Utilities, solar industry representatives and Board Staff.

On January 8, 2003 the Board Staff facilitated a meeting between a group of utility representatives and solar energy companies, where all the parties in attendance agreed to specific changes in the Customer-Sited Clean Energy Generation Program. The Ratepayer

Advocate's comments dated December 6, 2002 regarding the 2003 Compliance Filing were also supportive of increasing incentives for solar energy systems.

During the meeting, the representatives of the solar industry indicated that certain market and economic trends would make 2003 a much more difficult year for solar sales and therefore there is a need to maintain the level of incentives from 2002.

Specifically they indicated that:

- 1) The success of the program to date had been the result of sales to companies whose primary motivation for installing solar equipment was either to garner public relations benefits or to act on strongly held environmental views. Current prospects were seeking competitive returns on investment to justify the purchase.
- 2) The economic and financial environment continued to deteriorate throughout 2002, and even previously committed-to sales were being put on hold because of concerns about corporate expenses.

The only additional changes are the substitution of a 60% incentive cap instead of 50% for photovoltaic systems greater than 10kW and the substitution of \$3.75 instead of \$3.00 for the Tier 3 per watt incentive for medium/large systems.

This change in the incentive structure is consistent with the Board's expressed desire to promote renewable industry growth in New Jersey, as well as prior Board decisions that support clean electric generation policies.

The proposed changes to the details of the Customer-Sited Program will have no additional rate impact due to the fact that the funding for this program comes from the Societal Benefits Charge ("SBC") and no changes in the level of funding from the SBC are being recommended. Additionally, there is adequate funding for this program in the current budget.

The modifications to the program should have the effect of continuing the momentum of photovoltaic industry growth and installation of photovoltaic systems in New Jersey, which in turn will provide significant environmental benefits. Additionally, development of cleaner generation sources within the state is beneficial to Smart Growth because it provides local jobs and allows us to meet some of our electricity needs with cleaner resources.

The Board HEREBY DETERMINES that modifications to the photovoltaic incentive structure for the Customer-Sited Program, for the 2003 program year are as follows:

- Funding for systems less than 10 kW will be capped at 70% of system costs, instead of 60%.
- The decline in incentives will now be triggered by a set date rather than a block of capacity. This will affect both the percentage cap, as well as the per watt incentive.
- Systems greater than 10 kW and up to a Megawatt will continue to be eligible for funding up to maximum of 60% of the installed system costs.
- The per watt tier funding will be revised as follows:
 - Tier 1 (≤ 10 kW) = \$5.50/Watt
 - Tier 2 ($>10 - 100$ kW) = \$4.00/Watt
 - Tier 3 ($>100 - 500$ kW) = \$3.75/Watt
 - Tier 4 (>500 kW – 1000kW) = \$0.30/Watt

- Systems greater than a Megawatt will receive incentives only up to a maximum of 1 Megawatt of funding.
- The BPU will take the lead on establishing a team to resolve issues and problems that occur with the program delivery, implementation and technical issues such as interconnection.
- Projects will have 90 days after the issuance of the commitment letter to provide a signed contract to the program administrator; otherwise the reservation for funding will revert back to the uncommitted funds.

The Board HEREBY DETERMINES that administration and implementation of the Customer-Sited Program no longer be performed by the Utilities, but rather by Board Staff and contractors as needed, selected through a competitive process; and that the Utilities work with Board Staff to fully transition the administration and implementation of this program in a smooth and timely fashion.

DATED: 3/3/03

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)

JEANNE M. FOX
PRESIDENT

(SIGNED)

FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)

CAROL J. MURPHY
COMMISSIONER

(SIGNED)

CONNIE O. HUGHES
COMMISSIONER

(SIGNED)

JACK ALTER
COMMISSIONER

ATTEST:

(SIGNED)

KRISTI IZZO
SECRETARY